

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING PROCEDURE

TOPIC: Section 4-Receivables 5.0	EFFECTIVE DATE: 1/3/95
TITLE: Accounts Receivable Aging Reports	REVISION DATE: 4/5/96
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BACKGROUND

An increasing emphasis on receivables management requires that the Department establish standards for accounts receivable aging schedules so that adequate management information is available. Further, the Department of Administration (DOA) now requires quarterly aging schedules and reports on collection agency referrals (see **Receivables 5.1**)

This procedure details requirements for **quarterly** accounts receivable aging schedules. Attachment 1 of this bulletin and Attachment 1 of **Receivables 5.1 (Collection Agency Referrals)** are the basis for quarterly reports sent to the Department of Administration. Therefore, it is essential that these reports be completed timely, accurately and completely.

In order to comply with recent DOA requirements, please note the following changes to the Quarterly Report of Receivables, effective for the quarter ended December 31, 1995 and thereafter:

1. The aging schedule now breaks down receivables into 01-30 days, 31-60 days, 61-90 days;
2. Information is now requested (on page 2 of the Quarterly Report of Receivables) for:
 - (a) The amount of recoupments and appeals to Office of Administrative Hearings;
 - (b) % of aged receivables subject to an installment or repayment plan;
 - (c) Amount of installment receivables currently overdue.
3. A fourth quarter report is now due on July 31, along with the cumulative annual LAB report on receivables.

Please take immediate action to capture any additional information required. This additional information will be used for DOA monitoring and improvements to accounts receivable management.

Instructions for the preparation of annual report of receivables are published in **Receivables 5.2**. The annual report of receivables now uses the same format as that of the quarterly reports and the same reporting categories.

POLICY

It is the policy of the Bureau of Fiscal Services (BFS) to take actions to monitor and manage accounts receivable throughout the Department. This action will include, at a minimum, enforcing the submittal of aging schedules to enable DHSS to track collections and resolve accounts receivable.

Aging schedules are to be completed by divisions and institutions, reviewed by the Management Services Director or designee, and submitted to BFS by the twentieth calendar day after the end of the quarter. To reduce the number of reports, each division and institution is required to submit one composite report for all receivables except that special reports will be required for major programs.

All accounts receivable, including salary overpayments, are to be reported by divisions and institutions on prescribed formats. The aging schedule and related performance measures are required so that divisions and institutions, BFS, and the Office of Program Review and Audit (OPRA) may assess the effectiveness of accounts receivable management. There will be a joint effort between OPRA and BFS to review the information on the reports, especially the collections results. We will also share and discuss the results of the analysis, as appropriate, with the Divisions as a means of jointly identifying strategies to enhance performance.

Any exceptions to the procedures below are to be approved in writing by the Director, BFS.

PROCEDURES

1. **Format.** Aging schedules are to be prepared **quarterly** by divisions and institutions.

Attachment 1 provides the required format for the aging schedules (both pages must be completed and stapled together). This format is designed to be compatible with the annual report on receivables. Adoption assistance receivables, the Bureau of Child Support tax accounts receivables, and Bureau of Information Services receivables have BFS-approved accounts receivables aging schedules and are exempt from the format detailed in Attachment 1.

Exemptions. BFS may exempt other organizations from the required format and allow alternate quarterly aging schedules if the organization has developed automated accounts receivable subsystems and have regularly filed aging schedules with BFS. Canteen and resident receivables are to be reported quarterly.

No accounts receivable aging schedule will be required if there are no receivables older than thirty (30) days.

There are no exemptions for the annual report on receivables, and instructions are found in **Receivables 5.2**.

2. **Composite and Special Reports.** Quarterly aging schedules are to be used for management review, to establish accounts receivable performance measures and to assure timely collection efforts. Consequently, one composite aging schedule for the organization is to be prepared plus any special programs designated as requiring separate aging schedules. This reporting method will reduce the required number of reports. See Attachment 2 for a listing of quarterly aging schedules.
3. **Salary Overpayments.** The recording of salary overpayments on FMS and all collections activity for salary overpayments are the responsibility of the division or institution. Salary overpayment receivables are to be included in the division and institution aging schedules.

For salary overpayments previously referred to the Bureau of Fiscal Services for collection, BFS will maintain a status report of outstanding receivables and coordinate any collections or write-off's with the institutions or divisions. However, the responsibility for recording and reporting these previously referred accounts remains with the divisions or institutions.

4. **Management Review of Performance Measures.** Collecting information on accounts receivable activities and using this information to create and analyze performance measures are of mutual interest and benefit to program division, institution, and DHSS fiscal managers. In particular,

- ! Divisions and institutions will be able to establish measurable, consistent accounts receivable performance goals, thereby assisting managers in meeting a key management objective;
- ! Divisions and institutions also will be able to efficiently demonstrate accountability for performance and be positioned to quickly identify when trends in collections are becoming unfavorable and need correction;
- ! BFS may efficiently accomplish its central coordination and monitoring duties and effectively account to interested outside parties on the Department's overall performance.

The principal goal of the quarterly aging schedules is to provide division and institution management and BFS with information needed to achieve those benefits. The expected benefits, however, will only be derived if the performance measures are routinely used in the overall accounts receivable management effort. Therefore, to promote use of the performance information, the following is expected of each organization which manages accounts receivable.

First, three quarterly performance measures have been established to measure the effectiveness of division or institution collection activities. The three required performance measures to be reported on Attachment 1 are:

1. % Collections for period, or Column 4 divided by (column 1 plus column 2 plus or minus column 3);

2. % Outstanding ending balance greater than 90 days;
3. % Outstanding balance greater than one year.

Second, the status of each accounts receivable outstanding for more than thirty (30) days needs to be reviewed, and corrective action taken. Normally, the review of receivables performance measures should be done by the Management Director or another person independent of collection activities.

Third, divisions and institutions are also encouraged to maintain trend data using the required performance measures and any other performance indicators developed by the division and institution in order to determine the effectiveness of collection activity. This information is expected because (a) sound financial management practice calls for continuous self-evaluation of performance; and (b) divisions and institutions will want to be prepared to respond to inquiries from external parties as to how well they have performed in managing accounts receivable and what steps they have taken to improve performance.

5. **Due Date.** The due date for the quarterly report on receivables is the twentieth day of the month following the end of the quarter except for the fourth quarter report, which is due July 31. The reports are to be submitted to the Institution and Administrative Accounting Section, BFS. The Section Chief, or designee, will follow up on any reports that are not submitted or do not meet standards.
6. **Instructions for Preparation of Quarterly Report on Receivables.**
 - a. "Reporting Organization" and "Description of Receivables" should correspond to the reports specifically designated in Attachment 2, "List of Composite or Special Reports Required."
 - b. "Beginning Balance" should tie to "Ending Balance" for the prior period.
 - c. "Charges" are billings issued during the current period as recorded on FMS.
 - d. "Adjustments" are positive or negative changes to the original invoices or billings generally for amounts billed in error or other accounting corrections.
 - e. "Collections" are the cash receipts for the current period as recorded on FMS.
 - f. "Write-off's" are the amounts for the current period approved in accordance with provisions of APP **Receivables 6.0**. Provide a detail listing for any receivable greater than \$500 and written off in the current quarter.
 - g. "Ending Balance" should tie to the related FMS account balances.
 - h. "Recoupments and appeals to administrative hearings" include the total amount of Medicaid, AFDC and Food Stamps recoupments. In

addition, this line should be used for amounts currently under appeal to the Office of Administrative Hearings.

- i. "% of total amount subject to installment plan" equals the amount of aged receivables subject to installment or repayment plans divided by the total amount of aged receivables. The amount of recoupments and appeals in (h) above should be excluded from this calculation.
- j. "Amount of installment receivables overdue" includes the total amount of any installment plan payments overdue as of the end of the quarter.

ATTACHMENTS

- 1 Quarterly Report on Receivables (pages 1 and 2)
- 2 List of Quarterly Reports on Receivables

REFERENCES

BUSINESS STANDARDS 7.0 (Standards for Collecting Receivables)
RECEIVABLES 2.0 (Debt Collection Policies--External Parties)
RECEIVABLES 5.1 (Reporting of Collection Agency Referrals)
RECEIVABLES 5.2 (Annual Report of Receivables--Institutions and Divisions)
RECEIVABLES 5.3 (Reconciliation of FMS Accounts Receivable Balances to Annual Report of Receivables)
RECEIVABLES 6.0 (Write-off of Accounts Receivable)

CONTACT PERSONS

Questions concerning preparation of aging schedule

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Institution and Administrative Accounting Section
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Questions concerning performance measures

Patrick W. Cooper, Director
Office of Program Review and Audit
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QUARTERLY REPORT OF RECEIVABLES

REPORTING ORGANIZATION: _____ PERIOD: 9 September 30

9 December 31

9 March 31

9 June 30

DESCRIPTION OF RECEIVABLES: _____

AGE OF RECEIVABLE	(1) BEGINNING BALANCE	(2) CHARGES	(3) ADJUSTMENTS	(4) COLLECTIONS	(5) WRITE-OFFS	(6) ENDING BALANCE
GREATER THAN SIX YEARS						
FIVE TO SIX YEARS						
FOUR TO FIVE YEARS						
THREE TO FOUR YEARS						
TWO TO THREE YEARS						
ONE TO TWO YEARS						
181 TO 359 DAYS						
91 TO 180 DAYS						
61 TO 90 DAYS						
31 TO 60 DAYS						
01 TO 30 DAYS						
TOTAL						

QUARTERLY REPORT OF RECEIVABLES

Performance Measures

% Collections for period _____

% Outstanding ending balance greater than 90 days _____

% Outstanding ending balance greater than one year _____

Recoupments, Appeals, and Installment Plan Receivables

% of total amount subject to installment plans (excluding recoupments and appeals) _____

Total amount of installment receivables overdue _____

Amount of recoupments and appeals for administrative hearing (MA, AFDC, Food Stamps) _____

Write-off's

Detail listing for all receivables greater than \$500 and written off in this quarter _____

To the best of my knowledge, the information included is true and correct.

Prepared by Date

Certified by Management Services Director Date

ATTACHMENT 2

LIST OF COMPOSITE OR SPECIAL REPORTS REQUIRED

Division of Health	Special reports for EDS Medicaid receivables, Medicaid drug rebate receivables, and one composite report for all other receivables.
Division of Care and Treatment Facilities	One composite report for each institution and special reports for canteen and resident receivables. Special reports for MMHI Power Plant and WMHI Power Plant. One composite report for Central Office.
Division of Youth Services	One composite report for each institution and special reports for canteen and resident receivables. One composite report for central office.
Division of Economic Support	Special reports for Child Support arrearages (AFDC & Non-AFDC), AFDC receivables, Food Stamp receivables, Child Support Tax Intercept receivables, and one composite report for all other receivables.
Division of Community Services	Special report for Adoption assistance receivables and one composite report for all other receivables.
Division of Vocational Rehabilitation	Special reports for Business Enterprise Program and one composite report for all other receivables.
Bureau of Information Services	"AC" and "B" reports.
Division of Management Services	One composite report for all receivables except BIS receivables.
Bureau of Fiscal Services	Special reports for CARS receivables, institutional billings, and status report for BFS-referred salary overpayments.
Other DHSS organizations	One composite report for each organization with an outstanding balance of more than 30 days.